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UNCLAS AMMAN 006506

SIPDIS

PASS OPIC FOR SHARON WILLIAMS

E.O. 12958: N/A

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SUBJECT: JORDAN: EMBASSY COMMENTS ON OPIC APPLICATION

¶1. (U) As requested in a memorandum dated September 23, 2003 from OPIC Applications Officer Sharon Williams, the Embassy has reviewed the application for up to \$300 million in OPIC Political Risk Investment Insurance for an "Aqaba Special Economic Zone" project that was submitted to OPIC by Citigroup.

¶2. (U) The Aqaba Special Economic Zone (ASEZ) project is a high priority of the Jordanian government, which created the ASEZ in 2000 as a low-regulation economic area that is expected to emerge as a center of industrial, tourism and transportation growth in Jordan. The U.S. Government, through the Agency for International Development, has provided extensive financial and technical support to this effort, including through the financing of the Aqaba International Industrial Estate (AIIE), which is located within the ASEZ and which has also been designated by the U.S. Trade Representative as a Qualifying Industrial Zone (QIZ). The USG is also providing technical assistance to the governmental authority in the ASEZ, the Aqaba Special Economic Zone Authority (ASEZA). While eliminating unnecessary regulation overall, ASEZA has introduced new, modern regulations to ensure protection for the local environment and labor.

¶3. (U) The Embassy does not see negative economic consequences from the ASEZ project. Indeed, we share the expectation of the Government of Jordan that the ASEZ's success will promote increased deregulation and stronger economic growth in Jordan as a whole. We note that the financing being considered would add to Jordan's sovereign external debt, which the Government of Jordan is working to reduce with the support of the International Monetary Fund. However, we understand that the financial terms of the proposed financing are more favorable than Jordan could obtain on domestic debt. If approved by OPIC, the Embassy believes that an eventual decision to draw on such financing should be made by the government of Jordan in consultation with the IMF.

GNEHM